

EXHIBIT 3
DATE 3/13/09
SB 257

Testimony
PSC Commissioner John Vincent
In opposition to
Senate Bill 257
March 13, 2009

Chairman Noonan and members of the Committee:

The PSC has voted 3 to 1 to oppose SB 257, because it amends Montana's Renewable Power Production and Rural Economic Development Act (Act) in a manner that does not promote the goals of the Act, provides a windfall for projects already completed, and endangers the economic viability of Renewable Energy Credits (RECs) produced in Montana.

- The purpose of the Act is to increase demand for electricity produced by renewable resources to incent increased production. The Act mandates purchases, not production. The changes proposed in SB 257 do not increase demand; they merely allow another type of generation, a type that would be built without the changes to the statute, to satisfy the increased demand. This will actually reduce the incentive for new renewable generation.
- The bill, by including upgrades that have been completed during the past 4 years, merely provides a windfall to hydroelectric generation owners. Clearly, the upgrades were made without being eligible for REC status. To now grant those upgrades such a status does nothing other than giving the owner an unexpected, potentially lucrative benefit. This does nothing to incent new development and is inconsistent with the manner in which existing renewable projects were treated when the Act was passed in 2005. Renewable generation projects, including wind and small hydro, that were built before 2005 were not included as eligible renewable projects.
- Finally, the bill may endanger the viability of RECs produced in Montana because of the "first-out" provision in Section 1, page 3, lines 16 to 19. In the Western Interconnect, RECs are tracked by the Western Region Electricity Generation Information System (WREGIS). Under WREGIS each state determines if a particular facility meets that state's requirements. Of the eight other states in the Western Interconnect that have a renewable portfolio standard, only 4 allow upgrades to large hydropower to be used and 3 of those limit the power to the incremental production. The incremental production is that produced after all power from the pre-upgrade facility is produced. The bill proposes to count the upgrade as the first power produced. Therefore, these RECs will not meet the other states' standards. This may cause all Montana RECs to be viewed with suspicion and be devalued.

For these reasons, the PSC recommends that you give SB 257 a do not pass.